Headquarters U.S. Air Force

Integrity - Service - Excellence

Assistant Secretary of the Air Force Honorable Nelson F. Gibbs

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Headquarters U.S. Air Force

Integrity - Service - Excellence

- **HOUSING PRIVATIZATION**
- **INSTALLATION READINESS REPORT**

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Air Force Housing Privatization Goal

Accelerate our ability to eliminate inadequate housing units and provide military families access to safe, quality, affordable, well-maintained housing in a community where they will CHOOSE to live

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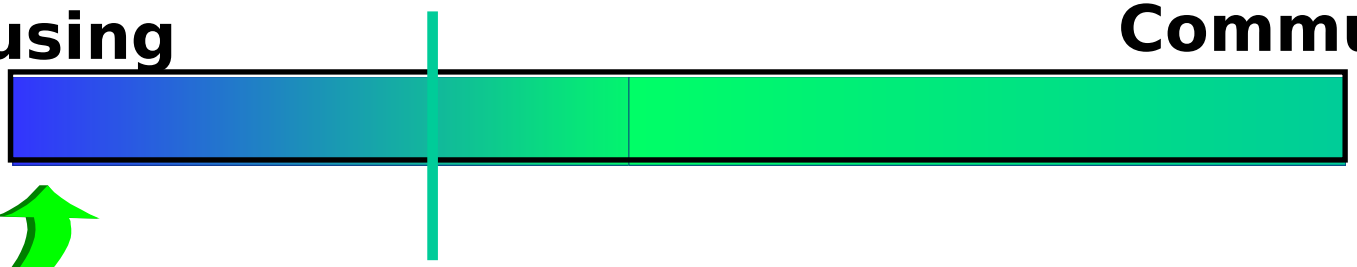
Housing Requirements Policy Change

Retain Existing Housing

Rely on Local Community



Demand

AF could potentially reduce inventory by 20,000 units

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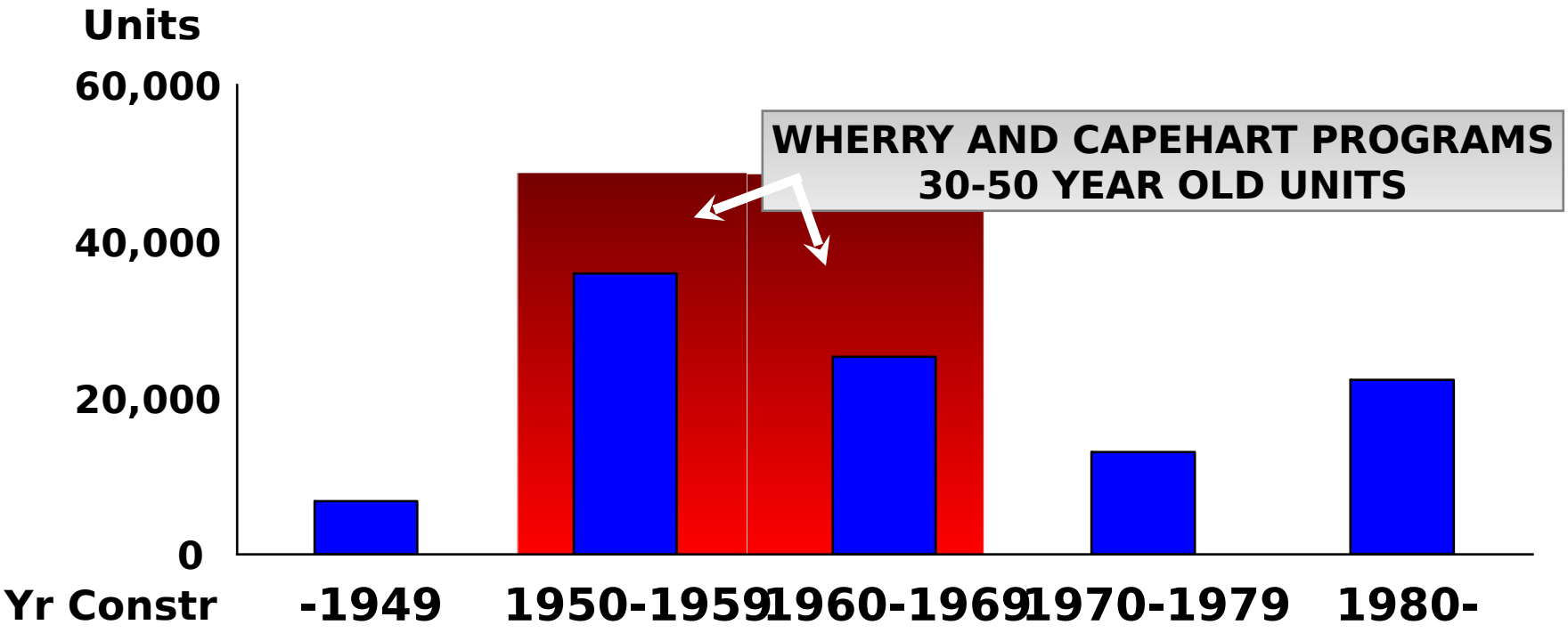
Family Housing Age of Inventory



59,000 Inadequate Units (beginning FY02)
46,000 Inadequate Units (beginning FY03)
40,000 Inadequate Units (beginning FY04)

Kirtland AFB Housing

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WAS

WILL BE

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Why Privatize

- **Approximately 40% of our families live on base**
- **104,000 AF family housing units**
  - **Average age is 32 years**
  - **40,000 inadequate units**
  - **Cost to fix using MILCON: > $5.6 Billion**
  - **Time to fix: 12 years with current funding and no privatization**

"Non-traditional approach to MFH revitalization is required!"

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Sustain Military Culture in Privatized Housing

- House military families in Air Force communities
  - No out-of-pocket costs
  - Housing grouped by officer/enlisted and grade in community setting
  - Secure communities
  - Community activities centered around ancillary facilities -- playgrounds, sports courts, community center, etc.
  - High standards of appearance
  - Ability to interact with leadership in town meetings

e want it to be invisible to a member whether they ar living in AF-owned housing or privatized housing

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Construction Wright-Patterson AFB

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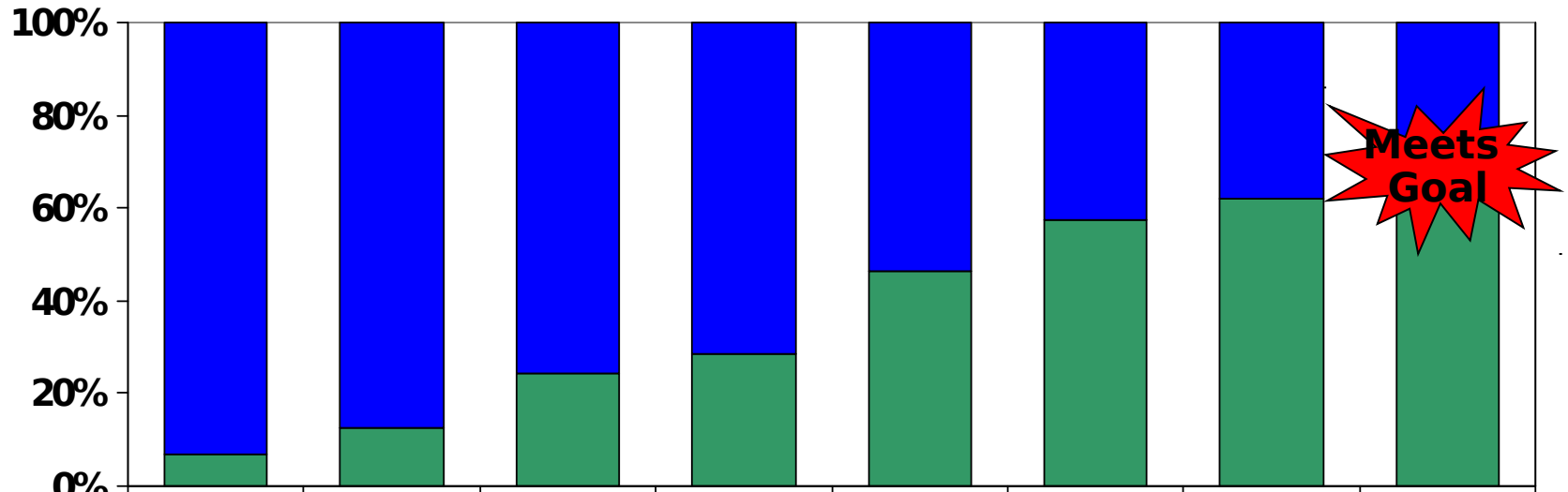
Privatizing AF CONUS Housing

- **Chart shows cumulative total of Air Force units privatized by Fiscal Year & Percentage**



	FY98-00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
#Gov Owned Units	76,860	72,176	60,360	56,988	37,946	29,072	24,783	24,783
#Units Privatized	5,486	10,481	19,367	22,571	32,855	38,972	40,161	40,161
Total Units	82,346	82,657	79,727	79,559	70,801	68,044	64,944	64,944

NOTE: This programming data is based on a combination of the 2002 Family Housing Master Plan (FHMP) requirements, and approved Housing Requirements and Market Analysis (HRMA) results. HRMA results at some bases are being finalized. The 2004 FHMP will include all requirements.

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AF Housing Privatization Deal Points

- **AF Privatization are not a partnership**
  - **Developer builds, owns and operates properties for 50 years**
  - **AF conveys existing housing and other direct support facilities as required**
  - **Typically AF leases land to developer**
- **Amount of government involvement varies**
  - **Condition of existing housing conveyed and amount of work required**
  - **Amount of BAH the units will draw**
  - **Need for a loan guarantee—not intended to be "BRAC Proofing"**
- **"Lockbox Accounts" ensure bills are paid and residents are happy**

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What Families and Leaders are Talking About

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What Residents are Saying

"***New housing is a force multiplier***"
Command CMSgt, Dyess AFB

"***Takes a lot off my plate, brought us quality housing in no time, don't know how many years it would have taken with MILCON***"
Wing/CC, Elmendorf AFB, AK

"***This is the best kitchen I've ever had***"
Spouse, Robins AFB, GA

"***They come out immediately to fix things…it***"
Spouse, Dyess AFB, TX

Summary

- Housing privatization is accelerating
- It's the right tool for the Air Force
- The Air Force is on track to improve housing for our military members and their families
  - Congressional authorities give us the tools we need and the long term commitment to our families

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Installations' Readiness Report (IRR)

- **IRR Facility Classes**
  - **Nine facility classes of like facilities**
  - **Operations and Training; Mobility; Maintenance and Production; Research, Development, Testing and Evaluation; Supply; Medical; Administrative; Community and Housing; Utilities and Ground Improvements**
- **Rating Definitions**
  - **C-1: Only minor deficiencies with negligible impact on capability to perform required missions.**
  - **C-2: Some deficiencies with limited impact on capability to perform required mission.**
  - **C-3: Significant deficiencies that prevent it from performing some missions.**
  - **C-4: Major deficiencies that preclude satisfactory mission accomplishment.**

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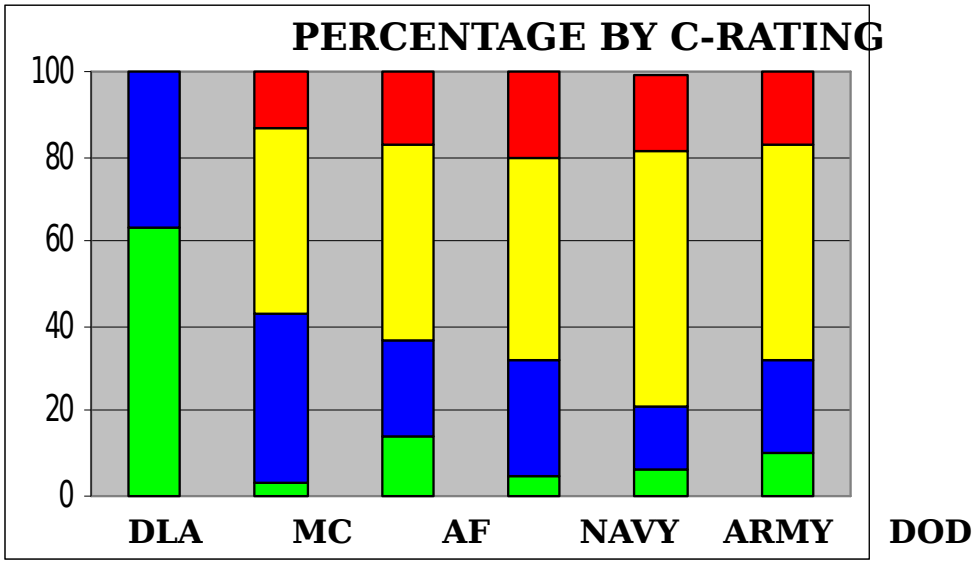
Historical IRR Ratings by Service

FACILITY SUPPORT FOR READINESS

END FY01



FOR FY00 69% OF RATINGS WERE C-3 OR C-4 – FY01, 68%

C-4 MAJOR PROBLEMS C-3 SOME FAILURES C-2 LIMITED IMPACT C-1 GOOD

Installations' Readiness Report (IRR)

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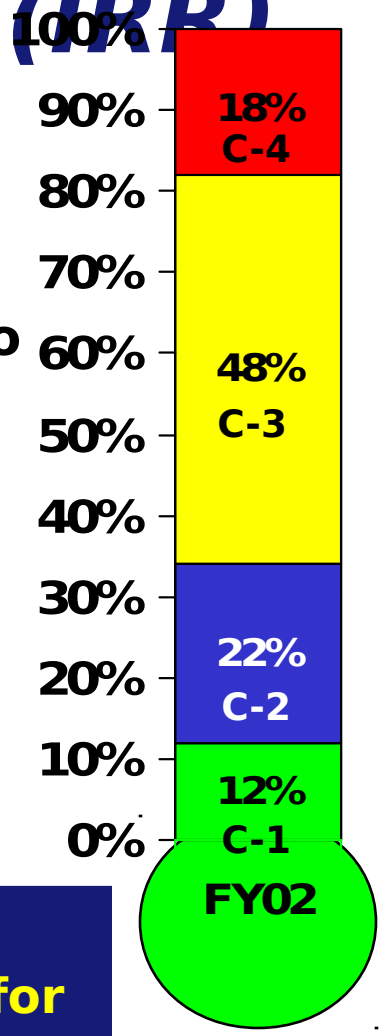
- **Objectives**
  - **Provide DoD & Congress a top-level assessment of the condition of our installations and the effect that facility condition has on military readiness**
  - **Provide estimated cost to restore facilities to a minimum acceptable readiness level**
- **Uses**
  - **OSD uses to prepare for Congressional hearings, DoD program reviews & the QDR**
  - **DUSD(I&E) uses IRR in the DPG**
- **Annual report due to OSD 15 Jan of each year**



66% of facility classes are rated C3 or C4

$20.6B of MILCON, MFH and O&M R&M are required for C-2 status